

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Debra Eucker, Commissioner, Department of Law, Revenue Cabinet

Honorable William Neal Cassity, Jessamine County Judge/Executive

Honorable Eva L. McDaniel, Jessamine County Clerk

Members of the Jessamine County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Jessamine County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
CLERK**

**For The Year Ended
December 31, 2002**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY CLERK

**For The Year Ended
December 31, 2002**

Ross & Company, PLLC, has completed the Jessamine County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$84,093 from the prior calendar year, resulting in excess fees of \$629,405 as of December 31, 2002. Revenues increased by \$899,392 from the prior year and disbursements increased by \$815,299.

Report Comments:

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Should Be Monitored And Reconciled On A Regular Basis
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit
- The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit
- Lacks Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable William Neal Cassity, Jessamine County Judge/Executive
Honorable Eva L. McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Should Be Monitored And Reconciled On A Regular Basis
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit
- The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
September 29, 2003

JESSAMINE COUNTY
EVA L. MCDANIEL, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Fees For Services	\$	16,378
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Fiscal Court		16,420
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,329,341
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Usage Tax		8,358,046
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Tangible Personal Property Tax		3,002,643
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Licenses-

Fish and Game		3,337
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Marriage		14,145
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Occupational		75
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Deed Transfer Tax		226,138
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Delinquent Tax		501,235
		13,434,960

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	38,893
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Real Estate Mortgages		124,624
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Chattel Mortgages and Financing Statements		114,237
--	--	---------

Powers of Attorney		3,503
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Lien Release Fees		10,886
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Releases		40,344
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All Other Recordings		18,653
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Charges for Other Services-

Copywork		23,218
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Notary Fees		10,757
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Postage		5,482
		390,597

Other-

Child Victim Fund	\$	76
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Miscellaneous		3,287
		3,363

Interest Earned:

Checking	\$	6,596
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Certificate of Deposit		5,843
		12,439

Total Receipts	\$	13,874,157
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The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 EVA L. MCDANIEL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 983,175	
Usage Tax	8,080,353	
Tangible Personal Property Tax	1,150,580	
Licenses, Taxes, and Fees-		
Fish and Game	3,290	
Delinquent Tax	64,623	
Legal Process Tax	39,504	
Candidate Filing Fees	<u>1,170</u>	\$ 10,322,695

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 230,072	
Delinquent Tax	34,187	
Deed Transfer Tax	<u>214,831</u>	479,090

Payments to Other Districts:

Tangible Personal Property Tax	\$ 1,498,597	
Delinquent Tax	<u>269,591</u>	1,768,188

Payments to Sheriff 4,553

Payments to County Attorney 88,577

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 443,889	
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Other Charges-

Dues and Memberships	4,293	
Refunds	48,289	
Insurance and Bonds	984	
Miscellaneous	1,022	
Tax Bill Printing	<u>5,454</u>	<u>503,931</u>

Total Disbursements \$ 13,167,034

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 EVA L. MCDANIEL, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Net Receipts		\$	707,123
Less: Statutory Maximum	\$	71,153	
Training Incentive		<u>2,965</u>	<u>74,118</u>
Excess Fees		\$	633,005
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2002		\$	629,405
Payments to County Treasurer - March 14, 2003	\$	609,918	
October 8, 2003		1,368	
September 30, 2003		<u>18,119</u>	<u>629,405</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

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COMMENTS AND RECOMMENDATIONS

JESSAMINE COUNTY
EVA L. MCDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Cash Drawer Shortages Should Be Reconciled And Monitored

The clerk has reduced cash drawer shortages, and cash over/short is now recorded on the daily checkout sheet for each drawer. However, after examining the checkout sheets, we were unable to reconcile the amounts recorded as cash over/short to the reported amount on the financial statement, and we were unable to find supporting documentation that would indicate that corrections were made to the daily checkout sheets. We recommend that the Clerk more closely monitor the amounts reported as cash over/short on the financial statement and maintain better documentation of corrections made to daily checkout sheets.

County Clerk's Response:

The clerk does monitor over and shortages on daily check out sheets. That is why we balance to the penny.

Accounts Receivable Should Be Monitored And Reconciled On A Regular Basis

Based upon the comparison of accounts receivable to the 4th quarter financial statement, it appears the clerk is not monitoring or reconciling accounts receivable. We recommend the clerk monitor and reconcile accounts receivable on a monthly basis and at year end. All accounts receivable should be collected and settled.

County Clerk's Response:

The clerk does monitor and reconcile accounts receivable on a monthly and yearly basis.

The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit

A former deputy's manipulation of cash and cash drawer shortages resulted in a deficit in the clerk's 2001 official bank account, and back excess fees due the Jessamine County Fiscal Court. The remaining deficit and back excess fees due the Jessamine County Fiscal Court are \$6,874. We recommend the clerk deposit personal funds of \$6,874 so she may pay excess fees for 2001. The clerk is in communication with the bonding company in regards to this matter, however it remains unresolved.

County Clerk's Response:

Turned over to legal department.

JESSAMINE COUNTY
EVA L. MCDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2002
(Continued)

The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit

A former deputy's manipulation of cash and cash drawer shortages resulted in a deficit in the clerk's 2000 official bank account, and back excess fees due the Jessamine County Fiscal Court. The remaining deficit and back excess fees due the Jessamine County Fiscal Court are \$4,634. We recommend the clerk deposit personal funds of \$4,634 so she may pay excess fees for 2000. The clerk is in communication with the bonding company in regards to this matter, however it remains unresolved.

County Clerk's Response:

Turned over to legal department, still working on it.

Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected officials control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

County Clerk's Response:

Segregation of staff is done by job descriptions.

PRIOR YEAR:

Cash Drawer Shortages Should Be Reconciled And Monitored

This was not corrected and is included in the current year audit.

Accounts Receivable Ledger Should Be Reconciled And Verified On A Regular Basis

This was not corrected and is included in the current year audit.

Adjusting Entries To The House Account Should Be Monitored And Adequately Documented

This has been corrected.

The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account

This was not corrected and is included in the current year audit.

JESSAMINE COUNTY
EVA L. MCDANIEL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2002
(Continued)

PRIOR YEAR: (Continued)

The County Clerk Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit

This was not corrected and is included in the current year audit.

The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account

This was not corrected and is included in the current year audit.

The County Clerk Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit

This was not corrected and is included in the current year audit.

Lacks Adequate Segregation Of Duties

This was not corrected and is included in the current year audit.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Jessamine County Clerk for the year ended December 31, 2002, and have issued our report thereon dated September 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jessamine County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

- Cash Drawer Shortages Should Be Reconciled And Monitored
- Accounts Receivable Should Be Monitored And Reconciled On A Regular Basis
- The County Clerk Had A Deficit In Her Calendar Year 2001 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2001 Audit
- The County Clerk Had A Deficit In Her Calendar Year 2000 Official Bank Account And Should Remit All Obligations As Determined By Her Calendar Year 2000 Audit
- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -
September 29, 2003

